Increasing charitable giving

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WHITE PAPER

About the Author

Howard Lake is publisher of UK Fundraising (fundraising.co.uk). Having reported on thousands of fundraising ideas over the past 25 years, he is exploring how giving for good might be grown exponentially.

He began his career with organisations such as Oxfam, Afghanaid and Amnesty International UK.

Elected a Fellow of the Institute of Fundraising for his digital work, he is Chair of the judges for the National Fundraising Awards, and consistently voted in the 50 Most Influential in Fundraising by readers of Fundraising magazine.

Recent work has seen him cover unconference-style learning events that go by the name of Barcamp Nonprofits (co-founder) and Fundraising Camp (founder).

Summary

Can charitable giving increase significantly beyond its current levels? It must if it is to meet growing needs and demands. And it must do so urgently if it is to have a role in ameliorating and tackling the climate crisis. Consider the many ways that this will impact the work of every charity and for-purpose organisation, those whom they help and those who support them.

This paper asks where this vital donation increase might come from. Previous efforts and ideas for growing giving are examined, and then the possibilities of major growth being unlocked from within the charity sector and outside it are explored. The role of technology and its part in scaling giving is considered throughout.

The paper then concludes with suggestions that might inspire the search for a massive growth in giving.

Can charities and social purpose organisations rise to this challenge and transform giving on a massive scale? Can other sectors help in this area? Have we searched far enough, or overlooked a key opportunity? If so, what might that look like?

The urgent challenge: substantial growth in sustainable giving

Charitable giving in the UK is hardly growing. Fewer UK households are donating, according to Charities Aid Foundation's UK Giving Report (2019). Earlier this year Charity Financials reported that 43 of the top 100 fundraising charities in the UK saw a decline in income in 2017/18.

Ecclesiastical's 2019 Charity Risk Barometer reports that 54 per cent of charity CEOs see loss of funding as their most pressing short-term concern. In addition, only 40 per cent of the CEOs surveyed said that they were planning beyond three years; one in five were planning only for the next 12 months.

Overall income is increasing, but the picture is mixed. In September 2019, Third Sector's research found that, although income at the UK's top 155 charities increased by almost £300m to £11.7 billion from 2017 to 2018, fundraised income fell from £5.1 billion to £4.8 billion, with legacy and grant income making up for this reduction.

Quoting Charities Aid Foundation statistics in UK Giving (2018) for the total amounts given to charities by UK individuals from 2007-17, fundraising consultant Mark Phillips tweeted:

"For all the new ideas, expenditure, fundraising crises and international disasters, the amount given to charity by individuals is stuck at about £10 billion a year. We ride a merry-go-round and need to get off."

In other research and tweets he questions whether this sector can continue to depend on previously reliable models like regular, monthly giving.

Can we look to the USA for inspiration? Possibly, but there too increasing giving is challenging.

Blackbaud's Steve MacLaughlin tweeted this year: "For over 40 years now, the share of wallet going to charitable giving has been stuck around two per cent."

Generosity for Life, published by the Lilly Family School of Philanthropy at Indiana University, also noted this year: "In 2001, 65 per cent of households gave to charity. By 2015, this had dropped to 56 per cent."

Lisa Greer of Philanthropy 451 added in June this year that "the share of Americans who donate to charity is falling, and 49 per cent of contributions come from one per cent of households. From 2000-2014, giving declined across every age group and every income and education level. Perhaps most frightening: the share of giving dropped most among 51 to 60-year olds, who are often bedrock donors."

So, we should expect to look in many different places for possible solutions or inspiration, because plenty of fundraisers and charities are facing this challenge.

There are many ways a charity could increase giving, as discussed in The Status of UK Fundraising 2018 Benchmark Report, conducted by Blackbaud together with the Institute of Fundraising.[1]

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[1] https://www.institute-of-fundraising.org.uk/library/the-status-of-uk-fundraising-2018-benchmark-report/

No time left for business as usual

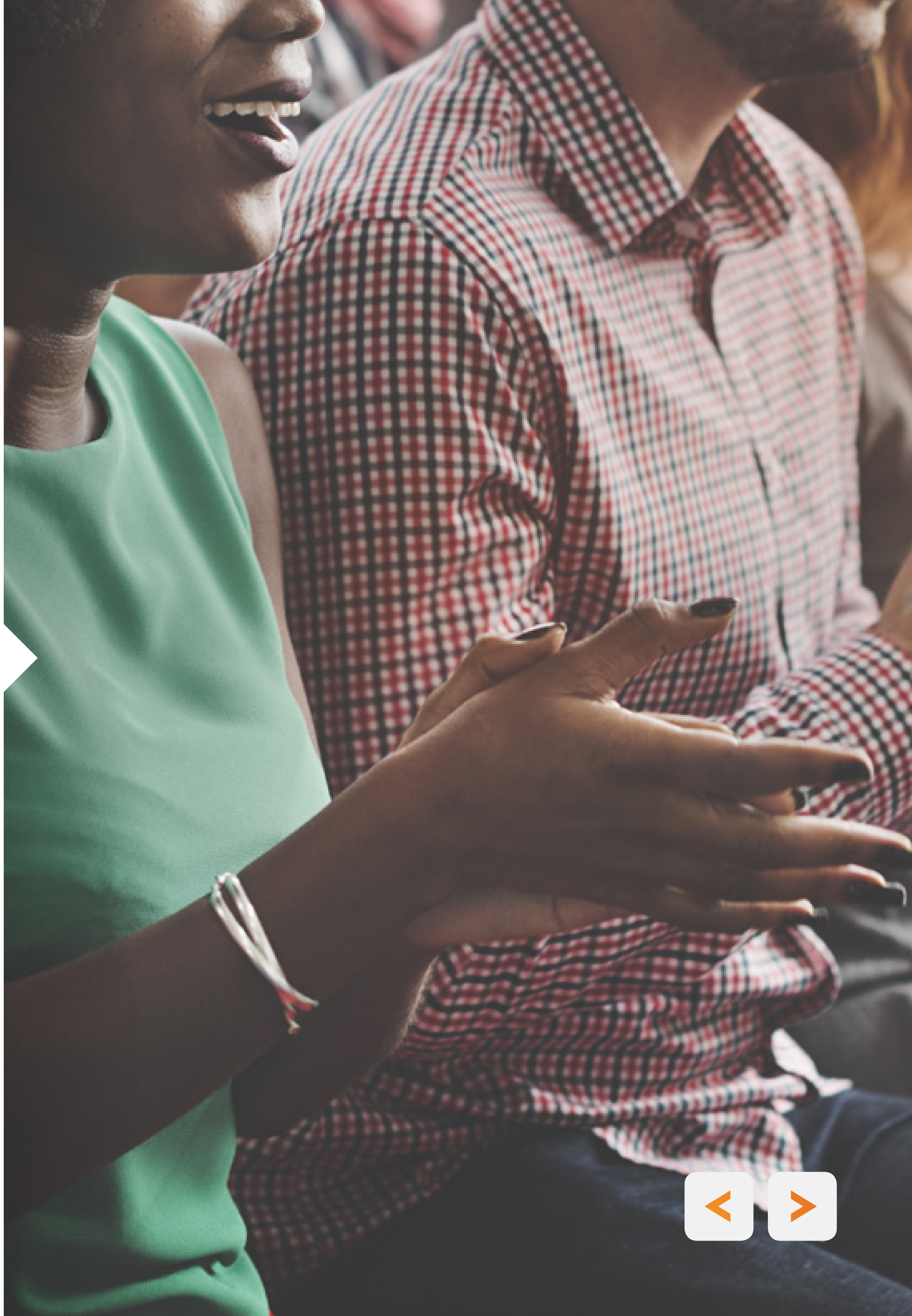
The pressure to find substantial growth in giving is intense and urgent if one simply considers the challenges of the climate crisis.

Tackling the Sustainable Development Goals (published by Wiley in August 2019) alone is going to require 'trillions of dollars'. Much of this expenditure is a challenge specifically for governments and international bodies of course, but not-for-profits need to play their part.

Failing to find sources of substantial giving now will simply increase the sum needed in years to come.

The Red Cross has warned, in The Cost of Doing Nothing, that if governments fail to act now on climate heating, funders' current contribution of between US$3.5bn and US$12bn (£2.8bn to £9.6bn) a year would need to rise sharply. It will need to increase to at least US$20bn (£16bn) a year in 10 years, to keep pace with the expected rise in the number of people afflicted by disasters and extreme weather events.

These challenges are set against a backdrop in the UK of a decade of government cuts to public services, a challenging paralysis in government through distraction with Brexit, and changing attitudes to trust in some charities.



Has technology disrupted fundraising and giving?

Many charities in the UK have developed a healthy mix of income sources over many years, and introduced novel, sometimes innovative, models. Despite the valuable greater efficiencies and enhanced insight yielded by digital technology over the past two or three decades, what was the last transformational new method of giving that produced a leap forward for many charities? Some would argue that it was street-based face-to-face fundraising in the mid-1990s, originally a back-to-basics and analogue approach to asking.

With the exception of legacies and major gifts, current methods of fundraising are not growing at sufficient and consistent scale to match the increased demand for services made against the flat or declining income that some major charities have reported over recent years.

Digital fundraising has seen great creativity and innovation over more than 20 years, but some of the biggest opportunities have not yet translated into significant new income. Fundraising has changed significantly, but the donation response hasn't matched this.

For example, online retail spending has increased to over £70 billion a year in the UK, and about a fifth of all retail spending now takes place online. A small percentage of that figure donated to charities through affiliate commission would make a huge difference, but this has not happened.

Even Facebook's fundraising tools (not its adverts) took three years to raise US$1 billion for organisations around the world.[2]

Digital fundraising, the area where scale, automation and personal-isation has the greatest potential, has shown great innovation and increasing sophistication. Yet its evolution is unevenly distributed amongst charities, many of whom still report a lack of access to digital skills.

There has been no shortage of initiatives to grow giving. Some, like The Giving Campaign of the 1990s, have been sector-wide government and research-backed efforts. Others have been sector initiatives and collaborations such as the Remember a Charity coalition that has successfully helped increase the proportion of people leaving a charitable bequest in their will. The 2010 Legacy10 campaign had a similar aim.

Some efforts have targeted particular types of giving, such as the international Giving Pledge's initiative to grow truly major gifts from the world's wealthiest people.

Increasing the scope of tax-effective giving and boosting its take-up amongst the population has been the subject of various reviews and campaigns.

[2] https://newsroom.fb.com/news/2018/11/people-raise-over-1-billion/

‘Even Facebook’s fundraising tools (not its adverts) took three years to raise US$1 billion for organisations around the world.’

The establishment of philanthropy research departments at universities has also helped generate data and insight into fundraising and donor motivations to help grow giving. Initiatives such as Giving Evidence focus on work 'to get charitable giving based on sound evidence'. We know from research such as the Great Fundraising Report of 2013 commissioned by Clayton, Burnett and Associates 'how and under what circumstances truly great fundraising is able to flourish'.

Others have introduced new models, from JustGiving's original 2001 sponsored events and online donations focus, through peer-to-peer fundraising platforms, to Kiva and its microloans approach of recycling money multiple times to do good. There was even a global Billion Lottery initiative being promoted in 2012.

Following the 2009 financial crash there was also a campaign to implement a Robin Hood Tax, a microdonation scheme that would consist of a tiny donation to be taken from each financial sector transaction.

Of course, there are many other ongoing efforts to grow giving in different ways. These range from targeted fundraising training such as the Catalyst funds for developing fundraising skills in the heritage and arts sectors, to the self-help and sharing culture evident amongst fundraisers on the 10,000-strong Fundraising Chat group on Facebook. Resources such as SOFII.org – the Showcase of Fundraising Innovation and Inspiration – attempt to bring successful fundraising recipes and models to charitable organisations around the world.

Resources and support for the majority of charities that are small, or even micro-organisations, exist to ensure that growth and resilience can be supported beyond the larger, better-resourced charities. The Small Charities Coalition and The FSI are just some of those active in this area.

Digital has offered many more possibilities for growth at scale. Affiliate shopping schemes have the potential to divert a small slice of the population's multi-billion pound online shopping expenditure to a charity of their choice. Topping-up or rounding-up donations to the nearest pound could enable millions of us to give small amounts almost daily. Donating spare PC processing power to charities and research bodies, or cryptocurrency mining, could also benefit organisations at scale, although the latter can't do so without a significant carbon imprint.

Crowdfunding for social good projects has been successful for many, but is mostly focused on generating restricted funds.

Spotting gaps in income or repurposing existing expenditure can be harder, but has certainly been attempted. This has taken the form of dormant bank and investment accounts being made available to charities, the introduction of social finance and efforts to redirect assets like the £7 billion that is said to exist in unused loyalty points. Recently Charities Aid Foundation's Ditch the Deals campaign has highlighted the £800 million (according to YouGov) 'wasted' by UK consumers in the past year by forgetting to cancel free trial offers for streaming services, food deliveries or shopping services. It is encouraging individuals to give some or all of that to charity.

There are creative efforts too to generate funding where none was possible before, such as The Lion's Share. Backed by Mars Inc and with support from Sir David Attenborough, its global partner advertising agencies commit to donate a small percentage of ad spend to the United Nations Development Programme (UNDP) for every animal they include in advertising campaigns. It aims to raise $100m a year.

All these ideas have grown income in various ways and contributed to a fundraising sector that continues to deliver, despite many challenges. But are they enough?

"The introduction of process automation and predictive analytics via machine learning is not a transformation, it's an intensification."

Dan Macquillan, Data Justice Lab 2019

Where might substantial income growth come from?

We must accept that the sector, despite much effort, supported by skilled providers, advisers and supporters, does not seem to have unlocked any sudden and sustainable source of new funding or giving in the past 30 years. Given the abundant need for such substantial new income, and the opportunities that can usually be found in rapidly changing circumstances, what might the likely characteristics and sources be for such a shift? Any solution will need to involve clear insight into donor and consumer behaviour.

It can either be based on:

- existing sources and practices
- or entirely novel approaches

Whatever the source, it is likely to have a digital element if it is to scale quickly and cost-effectively. It might well include machine or deep learning, or artificial intelligence (AI) to help it scale and improve as it develops. Equally, it might involve taking advantage of 5G, and the way it will underpin the growing Internet of Things (IoT).

Experienced sector suppliers will continue to have a key role in supporting and distributing such products or services across the sector. Many are already offering services based on these technologies, and new developments such as the first patent-pending algorithm to use big data and AI to identify potential donors based on gratitude seem to promise much.

However, it is going to be important to get the approach right – if it is flawed through bias or misunderstanding then powerful tools might simply succeed in compounding any errors. As we know, the fundraising and funding sector is far from diverse, so such bias is going to be a challenge. Speaking at the Data Justice Lab in Cardiff this year, digital activist Dan Macquillan commented, "The introduction of process automation and predictive analytics via machine learning is not a transformation, it's an intensification."[3] So charities will need to apply caution.

'Whatever the source, any solution is likely to have a digital element if it is to scale quickly and cost-effectively.'

[3] http://danmcquillan.io/

Growth from within?

If growth is to come from within the sector, then it could come from tackling existing and recognised fundraising barriers or unresolved issues. A universal Gift Aid declaration, perhaps; extending prospect research skills and resources to many more organisations; or sharing key digital skills in the areas of data or targeted advertising such as Facebook's tools with many more fundraisers.

Alternatively, growth could come from a sector-wide reappraisal of whether charities are finding and recruiting the very best fundraisers, tackling the issues of lack of diversity and equity highlighted by current sector campaigns such as #CharitySoWhite and #NonGraduatesWelcome. There are more initiatives along the lines of the Institute of Fundraising's Change Collective and the Association of Charitable Foundation's #StrongerFoundations report.

This might be supported by the changes in connectivity that the introduction of 5G will undoubtedly bring. Working from home on a far bigger scale could enable charities to make use of skilled fundraisers who live remotely and whom, currently, would not consider working for a geographically distant charity. Stanford economics professor Nicholas Bloom suggested in 2017 in a TEDx Talk that working from home was potentially as innovative as the driverless car.

Another direction for growth might be to accept that traditional sources of income for registered charities are indeed unlikely to grow substantially.

New developments have happened in this area over the past two decades with the introduction of various forms of philanthrocapitalism such as social impact investment. Big Society Capital, for example, has made over £1.7bn of new capital available to organisations with a social mission, through investments into fund managers and social banks.

One alternative is to switch to a more commercial model along the lines of social enterprise. Business approaches to social problems have the benefit of being sustainable, if run successfully, and being expanded or replicated in ways that grant-funded charitable projects seldom do.

Whether massive growth in income comes from inside or outside the charitable or social good sector, the people who implement, manage and sustain it are arguably going to need a range of skills, some of them new. They will require the ability to work flexibly across multiple teams within and without their organisation, and to be sure of ongoing support for skills development.

Growth from without?

There are groups of people who have experience of addressing challenges at large scale. For example, engineers at X (formerly Google[x]), the division of Google that focuses on producing major technological advances, operate with the notion of '10x thinking'. They describe this approach thus: 'true innovation happens when you try to improve something by 10 times rather than by 10 per cent'.

Is such an approach or attitude embedded within the charity sector? There is talk of innovation and of the BHAG (Big Hairy Audacious Goal) but far less of change on this scale.

Ten per cent improvement in annual income would be welcomed by many charities, especially if it was over more than one year. But it won't address the growing and sustained challenges that charities face in the short and medium term. And you can be certain that it would be hard to ensure that growth benefited smaller as well as larger charities. So is 10x thinking the necessary solution to achieve necessary results?.

What might a large external source of 'new' income for social good look like? California's governor this year proposed a 'data dividend' to be derived from big tech companies because 'California's consumers should also be able to share in the wealth that is created from their data'.


‘Change is happening and it will continue. It’s disruptive, challenging and uncomfortable. It’s time to get comfortable with being uncomfortable.’
Damian Corbet

Secondary technology

Tim Berners-Lee in his Data Transfer Project has posited similar notions about each of us owning our personal data and choosing, in return for payment, to share elements of it. Does this get close to the Robin Hood Tax notion of redistributing wealth?

Ideas and opportunities for major financial growth outside the charitable sector might well come from the commercial Fintech sector.

That has certainly happened already, with the application of blockchain at some charities to help provide a tracking and transparency function for charitable donations in terms of how they are handled and spent. Yet blockchain and cryptocurrencies that operate on its principles have not yet, in the past five or more years, yielded substantial new income for charities.

While the commercial Fintech sector is unlikely to focus on generating substantial income sources for the charity / for-purpose sector, it is possible that secondary technology might yield such a result.

Secondary technology is an unforeseen development from an existing service or product. For example, new technology or a new product does not always result in massive growth. It can take years or even decades for the, with hindsight, 'inevitable' growth curve to kick in. This is because others have helped to develop the necessary ecosystem for that development.

Nobel Prize-winning economist Robert Solow commented wryly that despite the popularity of personal computers in the 80s and early 90s: "You can see the computer age everywhere but in the productivity statistics." The PC alone did not yield productivity growth.

The sudden leap forward can be expected to come from one further addition to the ecosystem around a tool or service, the introduction of which passes unnoticed at first. So perhaps some fundraisers and / or suppliers are building an ecosystem or infrastructure that will underpin such a sudden surge in capability.

Helping to inspire growth in giving

If research or products outside the charity sector are to be seen to have a direct or secondary benefit to income growth for the sector, how might that possibility be highlighted or stimulated?

Collaboration and building products

There is no shortage of fundraising ideas. It is execution, of course, that matters – making the ideas happen and develop. Researching, prototyping and then actually running such 'big bet' approaches is essential to determine which has the actual potential to achieve benefit at scale and to be sustainable.

One such execution has been underway over the past three years in the form of a multi-charity collaboration with Good Innovation. Twelve charities, including the British Heart Foundation, the British Red Cross, the NSPCC, the RSPCA, Oxfam and Save the Children, have worked with them on Good Lab, recognising that radical change will not be achieved by one organisation.

During that time they have created a spin-off fundraising agency and three jointly-owned fundraising ventures. They forecast that this portfolio will be worth £250m within five years, with the possibility of generating over £200m each year in 10 years.

Incentive prize

Another approach could be to institute an incentive prize – a substantial cash prize awarded to a group of people who produce a product (not an idea!) that actually achieves the set goal. This has the benefit of highlighting the challenge to people or groups who had not been previously aware of the issue but who have the skills to attempt to tackle it. It could be a public challenge open to anyone, irrespective of background and of their approach to the solution.

McKinsey.com reported in 2009 that 60 new incentive prizes had debuted in the previous eight years. However, this had a skewed focus to the principal areas of science, engineering, aviation, space and the environment. However, 'prizes related to the arts and humanities represented one-third of the total a decade ago but make up less than 10 per cent today'.

Incentive prizes abound today, as evidenced by the work of innovation charity Nesta, but they tend to focus on non-financial tech for good products and services. Its £10m Longitude Prize, introduced in 2014, (named in honour of the 18th century Parliamentary financial incentive to increase safety at sea) focuses on tackling the global problem of antibiotic resistance.

One of the benefits of an incentive prize is that (usually) only the winner receives the funding. The remaining competitors undertake their work on a self-funded basis. Consequently, a collection of products and solutions are developed to meet the challenge, together with an alumni network of people who were all working on the same challenge but from different angles. Amongst them there is the chance of new tools and teams that might be picked up and improved and have further impact.

In conclusion

Charities and for-purpose organisations have always needed more money. Looking for substantially more money appears difficult, but without effective new or better approaches and products, the sector is not going to be able to tackle existing and existential challenges. A solution is both necessary and urgent.

Are the solutions out there? Have we overlooked any? Who is addressing them and how? How can they be helped?

Facing up to this massive challenge, thinking through its unintended consequences (for smaller charities perhaps, for existing donor relationships etc.), and implementing it - while maintaining existing, proven income generation activities - might seem daunting. But, as Damian Corbet states in his newly published book The Social CEO, 'Change is happening and it will continue. It's disruptive, challenging and uncomfortable. It's time to get comfortable with being uncomfortable.'

To talk to an expert about how we can help your organisation, contact us on 08451 605 555.
Alternatively leave us a message **here** and we will be in touch shortly.